MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BAC1074 –ETHICS AND GOVERNANCE

(All sections / Groups)

14 JULY 2023
9.00 AM – 11.00 AM
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 pages excluding cover page with 4 Questions only.
2. Answer **ALL** questions.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1 – MCQ (15 QUESTIONS)

Answer the following multiple-choice questions (MCQ) in the answer sheets provided. Each question carries 2 marks.

1. What is the key distinction between ethics and corporate governance?
   A. Ethics refers to personal moral principles, while corporate governance pertains to the management of a company.
   B. Ethics focuses on financial performance, while corporate governance emphasizes social responsibility.
   C. Ethics encompasses legal compliance, while corporate governance involves ethical decision-making.
   D. Ethics applies to individuals, while corporate governance applies exclusively to board members.

2. How do ethics play a role in relation to stakeholders?
   A. Ethics ensures that stakeholders have the final say in business decisions.
   B. Ethics helps protect the interests and well-being of stakeholders.
   C. Ethics allows stakeholders to exploit companies for personal gain.
   D. Ethics promotes competition and rivalry among stakeholders.

3. Which ethical principle emphasizes the need to consider the interests and well-being of all stakeholders?
   A. Predictability
   B. Responsibility
   C. Compassion
   D. Fairness

4. _____ represents an ethical principle that involves maintaining high moral standards and adhering to ethical values.
   A. Compassion
   B. Fairness
   C. Responsibility
   D. Integrity

5. What does compassion entail in ethical behavior?
   A. Treating all individuals fairly and impartially
   B. Acting with kindness and empathy towards others
   C. Fulfilling one's duties and obligations in an ethical manner
   D. Taking responsibility for one's actions and their consequences

6. What does fairness mean in ethical decision-making?
   A. Treating all individuals fairly and impartially
   B. Acting consistently and reliably in accordance with one's values
   C. Demonstrating empathy and understanding towards others
   D. Taking responsibility for one's actions and their consequences

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7. Which ethical principle involves being accountable for one's actions and obligations?
   A. Compassion
   B. Responsibility
   C. Predictability
   D. Integrity

8. The corporate governance regulatory framework in Malaysia is governed through _____.
   A. legal enforcement and judicial oversight
   B. self-regulation by financial institutions
   C. a combination of laws, codes, and regulatory requirements set by the regulator, stock exchange, and statutory bodies
   D. direct intervention of the government

9. _____ represents the main regulatory body responsible for overseeing corporate governance in Malaysia.
   A. Securities Commission Malaysia
   B. Bank Negara Malaysia
   C. Bursa Malaysia
   D. Ministry of Finance Malaysia

10. Which of the following is a key component of the Malaysian Code on Corporate Governance (MCCG)?
   A. Emphasis on shareholder primacy
   B. Exclusion of independent directors from board composition
   C. Focus on transparency and accountability
   D. Non-compliance with international standards

11. What is the structure of the Malaysian Code on Corporate Governance (MCCG) when it was first released in the year 2000?
   A. It is divided into three (3) parts: principles and board practices, institutional shareholders' role, and explanatory notes.
   B. It is divided into four (4) parts: principles and board practices, best practices, institutional shareholders' role, and explanatory notes.
   C. It is divided into five (5) parts: principles, board practices, best practices, institutional shareholders' role, and explanatory notes.
   D. It is divided into six (6) parts: principles, board practices, best practices, institutional shareholders' role, explanatory notes, and regulatory compliance.

12. The Malaysian Code on corporate governance (MCCG) made a revision during the year 2007 with the main objective of _____.
   A. enhancing Part 2 of Best Practices in Corporate Governance
   B. introducing new principles of corporate governance
   C. replacing the existing code with a more comprehensive one.
   D. emphasizing the role of institutional shareholders in corporate governance.

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13. What are the principal activities of MICG (Malaysian Institute of Corporate Governance)?
    A. Enforcing corporate governance regulations in Malaysia
    B. Promoting and encouraging corporate governance development in Malaysia
    C. Providing financial services to its members and other interested institutions
    D. Offering legal services related to corporate governance matters in Malaysia

14. The function of the Audit Committee under the Malaysian Code on Corporate Governance (MCCG) is to _____.
    A. monitor compliance with the Companies Act 2016
    B. review financial statements and internal control systems
    C. approve executive compensation packages
    D. facilitate shareholder engagement with the board of directors

15. What is the role of the Minority Shareholders Watch Group (MSWG) in Malaysian corporate governance?
    A. Promote ethical conduct among directors and executives
    B. Advocate for the interests of minority shareholders in listed companies
    C. Enforce compliance with the Bursa Malaysia Listing Requirements
    D. Investigate cases of financial fraud and corruption in corporations

[TOTAL 30 MARKS]

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QUESTION 2 – TRUE/FALSE (10 QUESTIONS)

Answer the following questions either TRUE/FALSE in the answer sheets provided. Each question carries 1 mark.

1. The Malaysian Financial Reporting Standards (MFRS) framework is a set of accounting standards and principles that regulate the preparation and presentation of financial statements by entities in Malaysia.

2. The Malaysian Accounting Standards Board (MASB) is responsible for the development and issuance of accounting standards in Malaysia.

3. MFRS is based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

4. The adoption of MFRS is voluntary for all entities in Malaysia, regardless of their size or industry.

5. The Malaysian Institute of Accountants (MIA) is primarily responsible for setting ethical and professional standards for accountants.

6. MFRS provides guidelines for the recognition, measurement, presentation, and disclosure of specific financial elements which are assets and liabilities only.

7. The IASB 2018 audit report sets out a comprehensive set of concepts for financial reporting, standard setting, and guidance for preparers in developing consistent accounting policies.

8. MFRS allows entities to choose from multiple accounting treatments for similar transactions, leading to potential inconsistencies in financial reporting.

9. One of the financial reporting issues on international harmonization of accounting standards was the ongoing debate about whose standards should be adopted.

10. MASB periodically updated the financial reporting standards to reflect changes in the business environment and keep pace with international accounting standards.

[TOTAL 10 MARKS]

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QUESTION 3

Part A

Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. It involves balancing the interests of various stakeholders, including shareholders, employees, customers, suppliers, and the broader community. Several theories of corporate governance provide different perspectives on how a company should be governed and how stakeholder interests should be managed.

Required:

(a) Briefly interpret agency theory and stewardship theory in corporate governance. (4 marks)

(b) Classify and interpret the THREE (3) costs incurred in agency theory. (6 marks)

(c) Interpret any FIVE (5) areas of concern among stakeholders regarding business behavior. (5 marks)

Part B

The UK Corporate Governance Code 2018, published by the Financial Reporting Council (FRC), provides guidelines and principles for good corporate governance practices in UK-listed companies. The Code sets out several key areas of board activity that companies should focus on to achieve good governance.

Required:

Based on the above information,

(a) Classify and further interpret the FIVE (5) key areas of board activity including principles behind each activity. (10 marks)

(b) Classify the FIVE (5) initial corporate governance development reports before issuing the final UK Code in the year 2018. (5 marks)

[TOTAL 30 MARKS]

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QUESTION 4

Part A

Initially introduced in the year 2000 by the Securities Commission Malaysia (SC), the Malaysian Code on Corporate Governance (MCCG) has undergone several revisions since then. Important key features together with the new corporate governance structure were introduced in the year 2017 and were recently updated in the year 2021.

Required:

(a) Interpret the FIVE (5) key features of MCCG in the year 2017. (5 marks)

(b) Classify the FOUR (4) MCCG structures in the year 2017. (4 marks)

(c) Classify and briefly interpret any THREE (3) key updates of MCCG 2021. (6 marks)

Part B

Scenario: Ethical Dilemma in the Finance Industry

Alex, a financial advisor in an investment company, is faced with an ethical dilemma. His client, Mr. Johnson, seeks investment advice on a particular company of which Alex is very much aware that this company is known for its unethical practices, including environmental pollution and labor rights violations. Alex, armed with detailed knowledge of these issues, finds himself torn between fulfilling his duty to provide investment advice and acting in alignment with ethical considerations. He must decide whether to prioritize Mr. Johnson's financial interests or address the potential harm caused by investing in the unethical company.

Required:

(a) Classify the EIGHT (8) basic steps to resolve ethical dilemmas in a business. (8 marks)

(b) Based on answer in (a), briefly interpret how Alex can navigate the ethical dilemma and make a decision that upholds ethical principles while considering the interests of all stakeholders involved. (7 marks)

[TOTAL 30 MARKS]

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